

## NEWS RELEASE

FOR RELEASE \_\_\_\_\_

Cline, DeVries & Allen, LLP today released an audit report on the City of Story City, Iowa.

The City's receipts totaled \$4,105,084 for the year ended June 30, 2005, a twenty percent decrease from 2004. The receipts included \$720,335 in property tax, \$1,076,649 from tax increment financing collections, \$981,130 from charges for service, \$445,351 from operating grants, contributions and restricted interest, \$324,387 from local option sales tax, \$81,070 from unrestricted investment earnings, and \$476,162 from other general receipts.

Disbursements for the year totaled \$5,239,011, a twenty-one percent increase from the prior year, and included \$984,059 for capital projects, \$399,896 for community and economic development, and \$1,576,327 for debt service. Also, disbursements for business type activities totaled \$792,221.

A copy of the audit report is available for review in the City Clerk's office.



CITY OF STORY CITY  
INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2005

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City of Story City

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kenneth Peterson	Mayor	Jan 2006
Michael Jensen	Mayor Pro tem	Jan 2008
Barbara Frohling	Council Member	Jan 2008
Lois Heckert	Council Member	Jan 2008
Dave Sporleder	Council Member	Jan 2006
Jeffrey Crisman	Council Member	Jan 2006
Mark Jackson	Administrator	Indefinite
Pat Twedt	Clerk	Jan 2006
Dena Nichols	Treasurer	Jan 2006
Fred A. Larson	Attorney	Jan 2006

City of Story City

# CLINE, DeVRIES & ALLEN, LLP

## CERTIFIED PUBLIC ACCOUNTANTS

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### Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Story City, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Story City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Story City as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1. However, the primary government financial statements, because they do not include the financial data of the component unit of the City of Story City, do not purport to, and do not, present fairly the results of the cash transactions of the funds of the City of Story City as of and for the year ended June 30, 2005 on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 10, 2005 on our consideration of the City of Story City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 29 through 31 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Story City's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

August 10, 2005  
Ames, Iowa



City of Story City

## Basic Financial Statements

## City of Story City

## Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2005

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 369,443	5,081	1,116	-
Public works	354,287	55,705	269,330	-
Health and social services	1,000	-	-	-
Culture and recreation	392,586	60,138	132,637	-
Community and economic development	399,896	-	14,645	-
General government	369,192	14,964	26,723	-
Debt service	1,576,327	-	-	-
Capital projects	984,059	43,259	900	344,935
Total governmental activities	4,446,790	179,147	445,351	344,935
Business type activities:				
Water	272,709	251,495	-	-
Sewer	268,243	316,424	-	-
Golf Course	251,269	234,064	-	-
Total business type activities	792,221	801,983	-	-
Total	\$ 5,239,011	981,130	445,351	344,935
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Mobile home tax				
Hotel/motel tax				
Franchise taxes				
Cable television				
Unrestricted interest on investments				
Rent				
Net loan proceeds				
Miscellaneous				
Sale of assets				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(363,246)	-	(363,246)
(29,252)	-	(29,252)
(1,000)	-	(1,000)
(199,811)	-	(199,811)
(385,251)	-	(385,251)
(327,505)	-	(327,505)
(1,576,327)	-	(1,576,327)
(594,965)	-	-
(3,477,357)	-	(3,477,357)
	(21,214)	(21,214)
	48,181	48,181
	(17,205)	(17,205)
-	9,762	9,762
(3,477,357)	9,762	(3,467,595)
537,910	-	537,910
1,076,649	-	1,076,649
182,425	-	182,425
324,387	-	324,387
3,178	-	3,178
59,952	-	59,952
2,355	-	2,355
19,747	-	19,747
64,466	16,604	81,070
8,563	12,000	20,563
20,000	-	20,000
25,432	-	25,432
241,881	-	241,881
2,566,945	28,604	2,595,549
(910,412)	38,366	(872,046)
3,451,489	800,933	4,252,422
\$ 2,541,077	839,299	3,380,376
\$ 133,751	-	133,751
145,712	-	145,712
(654,830)	-	(654,830)
265,395	-	265,395
2,651,049	839,299	3,490,348
\$ 2,541,077	839,299	3,380,376

## City of Story City

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2005

	General	Special Revenue	
		Urban Renewal Tax Increment	Hospital Trust
Receipts:			
Property tax	\$ 537,910	-	-
Tax increment financing collections	-	1,076,649	-
Other city tax	408,444	-	-
Licenses and permits	14,964	-	-
Use of money and property	24,771	15,263	8,450
Intergovernmental	17,003	-	-
Charges for service	115,112	-	-
Special assessments	-	-	-
Miscellaneous	51,683	1,783	-
Total receipts	1,169,887	1,093,695	8,450
Disbursements:			
Operating:			
Public safety	369,443	-	-
Public works	83,249	-	-
Health and social services	-	-	1,000
Culture and recreation	377,664	-	-
Community and economic development	16,893	333,003	-
General government	287,162	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,134,411	333,003	1,000
Excess (deficiency) of receipts over (under) disbursements	35,476	760,692	7,450
Other financing sources (uses):			
Loan proceeds	-	-	-
Sale of capital assets	-	67,911	-
Operating transfers in	28,182	40,252	86,740
Operating transfers out	(55,000)	(1,292,421)	(3,000)
Total other financing sources (uses)	(26,818)	(1,184,258)	83,740
Net change in cash balances	8,658	(423,566)	91,190
Cash balances beginning of year	496,477	569,278	568,972
Cash balances end of year	\$ 505,135	145,712	660,162
Cash Basis Fund Balances			
Reserved:			
Debt service	\$ -	-	-
Unreserved:			
General fund	505,135	-	-
Special revenue funds	-	145,712	660,162
Capital projects fund	-	-	-
Permanent fund	-	-	-
Debt service	-	-	-
Total cash basis fund balances	\$ 505,135	145,712	660,162

See notes to financial statements.

Debt Service	Capital Projects		Other Nonmajor Governmental Funds	Total
General Obligations	I-35 Development	Well Project		
182,425	-	-	-	720,335
-	-	-	-	1,076,649
-	-	-	-	408,444
-	-	-	-	14,964
13,678	-	7,450	16,467	86,079
-	254,269	-	358,934	630,206
-	-	-	-	115,112
-	-	-	43,259	43,259
-	103	-	125,880	179,449
196,103	254,372	7,450	544,540	3,274,497
-	-	-	-	369,443
-	-	-	271,038	354,287
-	-	-	-	1,000
-	-	-	14,922	392,586
-	-	-	50,000	399,896
-	-	-	82,030	369,192
1,576,327	-	-	-	1,576,327
-	654,171	99,785	230,103	984,059
1,576,327	654,171	99,785	648,093	4,446,790
(1,380,224)	(399,799)	(92,335)	(103,553)	(1,172,293)
-	-	-	20,000	20,000
-	171,490	-	2,480	241,881
1,381,061	675,000	-	112,637	2,323,872
-	-	(930,524)	(42,927)	(2,323,872)
1,381,061	846,490	(930,524)	92,190	261,881
837	446,691	(1,022,859)	(11,363)	(910,412)
273,443		1,033,689	509,630	3,451,489
274,280	446,691	10,830	498,267	2,541,077
274,280	-	-	-	274,280
-	-	-	-	505,135
-	-	-	385,086	1,190,960
-	446,691	10,830	60,427	517,948
-	-	-	51,340	51,340
-	-	-	1,414	1,414
274,280	446,691	10,830	498,267	2,541,077

City of Story City  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2005

	Enterprise Funds			
	Water	Sewer	Golf Course	Total
Operating receipts:				
Use of money and property	\$ 17,349	11,066	189	28,604
Charges for service	251,495	316,424	234,064	801,983
Total operating receipts	268,844	327,490	234,253	830,587
Operating disbursements:				
Business type activities	272,709	268,243	251,269	792,221
Total operating disbursements	272,709	268,243	251,269	792,221
Excess (deficiency) of operating receipts over (under) operating disbursements	(3,865)	59,247	(17,016)	38,366
Other financing sources (uses):				
Operating transfers in	-	25,000	-	25,000
Operating transfers out	-	(25,000)	-	(25,000)
Total other financing sources (uses)	-	-	-	-
Net change in cash balances	(3,865)	59,247	(17,016)	38,366
Cash balances beginning of year	274,826	501,719	24,388	800,933
Cash balances end of year	\$ 270,961	560,966	7,372	839,299
Cash Basis Fund Balances				
Reserved for maintenance/replacement	\$ 34,975	207,664	-	242,639
Unreserved	235,986	353,302	7,372	596,660
Total cash basis fund balances	\$ 270,961	560,966	7,372	839,299

See notes to financial statements.

## City of Story City

### Notes to Financial Statements

June 30, 2005

#### (1) Summary of Significant Accounting Policies

The City of Story City is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

##### A. Reporting Entity

For financial reporting purposes, the City of Story City has included all funds, organizations, agencies, boards, commissions and authorities, except for its component unit, the Story City Municipal Electric Utility. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's primary government financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These primary government financial statements present the City of Story City (the primary government) and exclude the component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. It has not been included in these primary government financial statements which present the primary government only. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its administrative office.

##### Component Unit

The Story City Municipal Electric Utility is a component unit of the City of Story City and is not presented in these primary government financial statements. They are legally separate from the City, but are financially accountable to the City. The Story City Municipal Electric Utility (Utility) was established to operate the City's electric facilities. The Utility is governed by a three member Board of Trustees appointed by the Mayor and approved by the City Council. Title to all property of the Utility is held in the name of the City. A financial benefit/burden relationship exists between the City and the Utility in that the



City is authorized by statute to issue general obligation debt for a city utility, and may certify taxes for the payment of the debt.

#### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards: Main Street Program, Central Iowa Regional Transportation Planning Alliance Board, Central Iowa Regional Housing Authority, Story City Chamber of Commerce Board, Trees Forever Board, and the League of Cities.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are

paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Hospital Trust Fund is used for internal loan purposes. To date, it has been used for TIF related projects.

The Debt Service General Obligations Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

Capital Projects:

The I-35 Development Fund is used to account for costs related to the development of the Story City Interstate 35 Business Park.

The Well Project Fund is used to account for construction on the well project.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Golf Course Fund accounts for the operation of the City owned golf course.

C. Measurement Focus and Basis of Accounting

The City of Story City maintains its financial records on the basis of cash receipts and disbursements and the primary government financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the primary government financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the culture and recreation, community and economic development, and general government functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments at June 30, 2005 are as follows:

Type	Carrying Amount	Fair Value
U.S. government securities	\$ 57	57

Interest rate risk – The City's investment policy limits the investment of operating funds in instruments that mature within 397 days. Operating funds are defined as those funds which are reasonably expected to be expended during a current budget year or within fifteen months of receipt. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City of Story City.

Credit risk – None.

(3) Notes Payable

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending June 30,	General Obligation Notes	
	Principal	Interest
2006	\$515,000	143,330
2007	525,000	116,845
2008	545,000	87,397
2009	570,000	54,915
2010 - 2013	435,000	40,872
Total	\$ 2,590,000	443,359

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by

state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$55,285, \$52,556 and \$54,383, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. City employees also accumulate a limited amount of earned but unused sick leave hours for subsequent use. A portion of sick leave is payable upon termination of employment if the employee quits or retires after at least ten years of continuous service. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2005, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 34,721
Sick leave	<u>30,068</u>
Total	<u>\$ 64,789</u>

This liability has been computed based on rates of pay in effect at June 30, 2005.

(6) Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue	
	Hospital	\$ 3,000
	Enterprise:	
	Sewer	25,000
	Permanent:	
	Cemetery Perpetual Care	182
		<u>28,182</u>
Special Revenue:	Debt Service:	
Urban Renewal Tax Increment	Special Assessments	40,252
	Special Revenue:	
Hospital Trust	Urban Renewal Tax Increment	86,433
	Debt Service:	
	Special Assessments	307
Equipment Replacement	General	30,000
		<u>156,992</u>
Debt Service:	Special Revenue:	
General Obligations	Urban Renewal Tax Increment	448,351
	Debt Service:	
	Special Assessments	2,186
		<u>450,537</u>
Capital Projects:	Special Revenue:	
Downtown Improvements	Urban Renewal Tax Increment	75,000
I-35 Development	Special Revenue:	
	Urban Renewal Tax Increment	675,000
Jacobson Trail	Special Revenue:	
	Urban Renewal Tax Increment	7,637
Well Project	Debt Service:	
	General Obligations	930,524
		<u>1,688,161</u>
Enterprise:		
Sewer	General	25,000
		<u>25,000</u>
Total		<u><u>\$ 2,348,872</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(7) Notes Receivable/Economic Development

The City made a \$25,000 loan to Cottage on Broad, Inc. in a prior fiscal year. Interest on the loan is at 2.75% and monthly payments of \$57 are due thru March of 2006.

Beginning in April of 2006, principal and interest of \$551 is due monthly until March of 2009. The balance of the loan at June 30, 2005 is \$25,000.

The City approved a \$47,854 loan to Record Printing Co., Inc. in October of 2002. Monthly payments of principal and interest of \$847 are to be made until October of 2007. The loan has an interest rate of 2.38%. The balance of the loan at June 30, 2005 is \$23,041.

During the 2004-2005 fiscal year, the City loaned \$50,000 to MH Eby, Inc. Interest of \$115 is due monthly from June 2005 thru April 2009. Interest payments of \$57 are due monthly from June 2009 thru April 2010. Principal payments of \$25,000 each are due on May 1, 2009 and May 1, 2010. The loan has an interest rate of 2.75% and the balance of the loan on June 30, 2005 was \$50,000.

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$950 during the year ended June 30, 2005.

(9) Assisted Living Facility Revenue Bonds

The City has issued a total of \$8,500,000 of assisted living facility revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$7,958,454 is outstanding at June 30, 2005. The bonds and related interest are payable solely from the revenues of the Assisted Living Facility, and the bond principal and interest do not constitute liabilities of the City.

(10) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Landfill

The City has contracted with the City of Ames for solid waste disposal for all households or residences within the City. The contract began April 1, 1994 and will terminate June 30, 2014. The cost is computed for each calendar year. On or before February 15th of each year, the City of Ames will notify the City of Story City of its proportionate share of the net costs of the system for the prior calendar year. The City of Story City will pay the City of Ames one-half of its share on July 15th and one-half on or before December 15th of each year. The annual rate of the contract is determined by multiplying the net per capita cost of the Ames solid waste disposal system by the population of the City of Story City. During the year ended June 30, 2005, the City paid a total of \$37,929 to the City of Ames in connection with this contract.

(12) Subsequent Events

Subsequent to June 30, 2005, the City approved the issuance of \$2,500,000 in Tax Increment Financing Bonds. The bonds will be used to pay costs of constructing, equipping, and furnishing a community recreation center. Total estimated cost of the center is \$2.7 million with the remaining \$200,000 to be funded through a Vision Iowa grant.

Also, the City entered into a contract for Phase I of the I-35 Development Project during the fiscal year ended June 30, 2005. Subsequent to that, they will be entering into a contract for Phase II of the project with an estimated cost of \$400,000. The City will apply for a RISE grant to fund a portion of this and may possibly issue a short-term bond as well.

(13) Construction Commitments

The City had the following commitments with respect to unfinished capital projects at June 30, 2005:

<u>Project</u>	<u>Remaining Commitment</u>
New Well	\$ 61,329
Wastewater Improvement	118,673
Pennsylvania Avenue	28,144
Water System Improvements (June 03)	8,293
Pump House Aerator	14,682
Jacobson Park Trail	45,364
Water System Improvements (Oct 03)	7,140

## Required Supplementary Information



City of Story City  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 720,335	-
Tax increment financing collections	1,076,649	-
Other city tax	408,444	-
Licenses and permits	14,964	-
Use of money and property	86,079	28,604
Intergovernmental	630,206	-
Charges for service	115,112	801,983
Special assessments	43,259	-
Miscellaneous	179,449	-
Total receipts	<u>3,274,497</u>	<u>830,587</u>
Disbursements:		
Public safety	369,443	-
Public works	354,287	-
Health and social services	1,000	-
Culture and recreation	392,586	-
Community and economic development	399,896	-
General government	369,192	-
Debt service	1,576,327	-
Capital projects	984,059	-
Business type activities	-	792,221
Total disbursements	<u>4,446,790</u>	<u>792,221</u>
Excess (deficiency) of receipts over (under) disbursements	(1,172,293)	38,366
Other financing sources (uses), net	<u>261,881</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(910,412)	38,366
Balances beginning of year	<u>3,451,489</u>	<u>800,933</u>
Balances end of year	<u><u>\$ 2,541,077</u></u>	<u><u>839,299</u></u>

See accompanying independent auditors' report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
720,335	718,528	718,528	1,807
1,076,649	947,941	947,941	128,708
408,444	356,910	391,910	16,534
14,964	12,750	12,750	2,214
114,683	49,000	49,000	65,683
630,206	357,645	357,645	272,561
917,095	904,170	904,170	12,925
43,259	11,000	11,000	32,259
179,449	77,425	252,425	(72,976)
4,105,084	3,435,369	3,645,369	459,715
369,443	387,880	387,880	18,437
354,287	354,650	412,650	58,363
1,000	20,210	20,210	19,210
392,586	321,440	341,440	(51,146)
399,896	168,500	338,500	(61,396)
369,192	277,930	277,930	(91,262)
1,576,327	631,929	1,591,929	15,602
984,059	349,795	1,164,795	180,736
792,221	864,230	864,230	72,009
5,239,011	3,376,564	5,399,564	160,553
(1,133,927)	58,805	(1,754,195)	620,268
261,881	20,000	20,000	241,881
(872,046)	78,805	(1,734,195)	862,149
4,252,422	3,294,401	4,253,273	(851)
3,380,376	3,373,206	2,519,078	861,298

City of Story City

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts and disbursements by \$210,000 and \$2,023,000, respectively. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the culture and recreation, community and economic development, and general government functions.

## Other Supplementary Information

City of Story City  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2005

	Special Revenue					Debt Service
	Economic Development Revolving Loan	Road Use Tax	Library Gift	Equipment Replacement	Golf Course Trust	Special Assessments
Receipts:						
Use of money and property	\$ 12,862	-	1,568	250	201	122
Intergovernmental	-	269,330	-	-	-	-
Special assessments	-	-	-	-	-	43,259
Miscellaneous	-	-	110,572	-	7,165	-
Total receipts	12,862	269,330	112,140	250	7,366	43,381
Disbursements:						
Operating:						
Public works	-	271,038	-	-	-	-
Culture and recreation	-	-	-	-	14,922	-
Community and economic development	50,000	-	-	-	-	-
General government	-	-	-	82,030	-	-
Capital projects	-	-	-	-	-	-
Total disbursements	50,000	271,038	-	82,030	14,922	-
Excess (deficiency) of receipts over (under) disbursements	(37,138)	(1,708)	112,140	(81,780)	(7,556)	43,381
Other financing sources (uses):						
Loan proceeds	-	-	-	20,000	-	-
Sale of fixed assets	-	-	-	2,480	-	-
Operating transfers in	-	-	-	30,000	-	-
Operating transfers out	-	-	-	-	-	(42,745)
Total other financing sources (uses):	-	-	-	52,480	-	(42,745)
Net change in cash balances	(37,138)	(1,708)	112,140	(29,300)	(7,556)	636
Cash balances beginning of year	119,989	135,459	14,836	66,580	11,784	778
Cash balances end of year	\$ 82,851	133,751	126,976	37,280	4,228	1,414
Cash Basis Fund Balances						
Unreserved:						
Special revenue funds	\$ 82,851	133,751	126,976	37,280	4,228	-
Debt service fund	-	-	-	-	-	1,414
Capital projects funds	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-
Total cash basis fund balances	\$ 82,851	133,751	126,976	37,280	4,228	1,414

See accompanying independent auditors' report.

Capital Projects						Permanent Cemetery Perpetual Care	Total
Trees Forever	Downtown Improvements	Waterworks Screening	Wastewater Treatment	Housing Assistance	Jacobson Trail		
57	-	528	318	373	-	188	16,467
900	-	-	-	-	88,704	-	358,934
-	-	-	-	-	-	-	43,259
237	5,072	-	-	-	1,859	975	125,880
1,194	5,072	528	318	373	90,563	1,163	544,540
-	-	-	-	-	-	-	271,038
-	-	-	-	-	-	-	14,922
-	-	-	-	-	-	-	50,000
-	-	-	-	-	-	-	82,030
3,072	29,126	129,174	-	24,250	44,481	-	230,103
3,072	29,126	129,174	-	24,250	44,481	-	648,093
(1,878)	(24,054)	(128,646)	318	(23,877)	46,082	1,163	(103,553)
-	-	-	-	-	-	-	20,000
-	-	-	-	-	-	-	2,480
-	75,000	-	-	-	7,637	-	112,637
-	-	-	-	-	-	(182)	(42,927)
-	75,000	-	-	-	7,637	(182)	92,190
(1,878)	50,946	(128,646)	318	(23,877)	53,719	981	(11,363)
2,735	2,366	129,615	-	28,848	(53,719)	50,359	509,630
857	53,312	969	318	4,971	-	51,340	498,267
-	-	-	-	-	-	-	385,086
-	-	-	-	-	-	-	1,414
857	53,312	969	318	4,971	-	-	60,427
-	-	-	-	-	-	51,340	51,340
857	53,312	969	318	4,971	-	51,340	498,267

City of Story City  
 Schedule of Indebtedness  
 Year ended June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Corporate purpose	Mar 1, 1996	4.05-5.20%	\$ 2,480,000
Corporate purpose	Oct. 1, 1997	6.85-7.50%	650,000
Corporate purpose	Apr. 1, 2001	4.00-4.80%	775,000
Corporate purpose	Jan. 1, 2003	2.15-4.45%	550,000
Water improvement refunding	Mar. 1, 2004	1.45-2.85%	1,385,000
Police car loan	Apr 19, 2005	N/A	20,000
Total			

See accompanying independent auditors' report.





## City of Story City

## Note Maturities

June 30, 2005

General Obligation Notes					
Year Ending June 30,	Corporate Purpose Issued Oct 1, 1997		Corporate Purpose Issued Apr 1, 2001		
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2006	7.35%	\$ 70,000	4.40%	\$ 75,000	
2007	7.40	75,000	4.50	80,000	
2008	7.45	80,000	4.60	85,000	
2009	7.50	90,000	4.65	85,000	
2010		-	4.70	90,000	
2011		-	4.80	95,000	
2012		-		-	
2013		-		-	
Total		<u>\$ 315,000</u>		<u>\$ 510,000</u>	

Year Ending June 30,	Corporate Purpose		Water Improvement Refunding		Total
	Issued Jan 1, 2003		Issued Mar 1, 2004		
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2006	2.85	50,000	1.90	320,000	515,000
2007	3.15	50,000	2.30	320,000	525,000
2008	3.45	55,000	2.65	325,000	545,000
2009	3.75	55,000	2.85	340,000	570,000
2010	4.05	60,000		-	150,000
2011	4.20	60,000		-	155,000
2012	4.35	65,000		-	65,000
2013	4.45	65,000		-	65,000
Total		\$ 460,000		\$ 1,305,000	\$ 2,590,000

See accompanying independent auditors' report.

City of Story City  
Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds  
For the Last Two Years

	2005	2004
Receipts:		
Property tax	\$ 720,335	\$ 667,167
Tax increment financing collections	1,076,649	1,229,827
Other city tax	408,444	408,370
Licenses and permits	14,964	14,042
Use of money and property	86,079	57,274
Intergovernmental	630,206	351,606
Charges for service	115,112	119,356
Special assessments	43,259	25,132
Miscellaneous	179,449	59,974
Total	<u>\$ 3,274,497</u>	<u>\$ 2,932,748</u>
Disbursements:		
Operating:		
Public safety	\$ 369,443	\$ 410,974
Public works	354,287	349,452
Health and social services	1,000	971
Culture and recreation	392,586	353,434
Community and economic development	399,896	265,810
General government	369,192	361,520
Debt service	1,576,327	521,850
Capital projects	984,059	813,526
Total	<u>\$ 4,446,790</u>	<u>\$ 3,077,537</u>

See accompanying independent auditors' report.

City of Story City

# CLINE, DeVRIES & ALLEN, LLP

## CERTIFIED PUBLIC ACCOUNTANTS

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### Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Story City, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated August 10, 2005. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Story City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Story City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-05 is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Story City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Story City and other parties to whom the City of Story City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Story City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

August 10, 2005  
Ames, Iowa

City of Story City  
Schedule of Findings  
Year ended June 30, 2005

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Part I: Summary of the Independent Auditors' Results:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

City of Story City  
Schedule of Findings  
Year ended June 30, 2005

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Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

City of Story City

Schedule of Findings

Year ended June 30, 2005

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Part III: Other Findings Related to Statutory Reporting:

III-A-05 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

III-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the culture and recreation, community and economic development, and general government functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will do so.

Conclusion – Response accepted.

III-C-05 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

III-D-05 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted

III-E-05 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Jeffrey Wirth, Employee	Services	\$ 950

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with the above individual does not appear to represent a conflict of interest since total transactions with the individual were less than \$1,500 during the fiscal year.

III-F-05 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-G-05 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-H-05 Notes – The resolution authorizing the issuance of the \$1,385,000 general obligation notes require the City to establish a debt service sinking fund where the proceeds, interest earned on the proceeds and taxes levied should be posted as well as payments on the debt. As of June 30, 2005, this has not been done.



City of Story City  
Schedule of Findings  
Year ended June 30, 2005

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Recommendation – The City should establish the required fund.

Response – We will do so.

Conclusion – Response accepted.

III-I-05    Deposits and Investments – No instances of non-compliance with the City's investment policy were noted.

III-J-05    Sales Tax – The City is not properly assessing sales tax as required by Chapter 422 of the Code of Iowa.

Recommendation – The City should contact the Iowa Department of Revenue and Finance to determine the disposition of this matter.

Response – We will do so.

Conclusion – Response accepted.